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In The Supreme Court of The United States

CHF INDUSTRIES, INC.,

Petitioner,

v.

PARK B. SMITH, INC.,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

PETITIONER'S REPLY BRIEF

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PETITIONER'S REPLY BRIEF

STATEMENT

Petitioner CHF Industries, Inc. ("CHF") respectfully submits this Reply Brief in support of its Petition for Writ of Certiorari. In attempting to reconcile the Federal Circuit's misapplication of Rule 4(a)(2) with this Court's decision in *FirsTier Mortgage Co. v. Investors Mortgage Insurance Co.*, 498 U.S. 269 (1991), Respondent Park B. Smith, Inc. ("PBS") contends that it reasonably believed the District Court's partial summary judgment ended the case. No litigant could have a *reasonable* belief that this case was finished when partial summary judgment was entered in March 2008, because the plain words of Federal Rule of Civil Procedure 54(b) make it abundantly clear that a partial summary judgment, in and of itself, does not end a litigation.

Moreover, PBS's state of mind when the District Court entered partial summary judgment on March 6, 2008 (or its Rule 58 judgment on March 10, 2008) is inconsequential in this case. Even if PBS mistakenly believed on March 10, 2008 that the case had ended, the evidence of record conclusively demonstrates that PBS actually knew, at least as of April 23, 2008, that neither the March 6 partial summary judgment, nor the March 10 Rule 58 judgment, had ended the case or were final, appealable orders.

PBS tries without success to explain away the conflict between the Federal Circuit's decision below and the rationale set forth in *FirsTier*, as well as the

split between the Circuits as to whether Rule 4(a)(2) should apply to partial summary judgments like the one entered here. PBS selectively focuses on procedural details in the case law when it suits PBS's purposes and ignores them when it does not. Contrary to PBS's analysis, there is a clear conflict between the Federal Circuit's decision below and the rationale of *FirsTier,* and there is a well-recognized and troublesome split between the Circuits that should be resolved by this Court.

If anything, PBS's opposition brief highlights the confusion in the Circuits and further demonstrates why the Court should grant Petitioner's request for a writ of certiorari.

I. THE FEDERAL CIRCUIT'S DECISION DIRECTLY CONFLICTS WITH *FIRSTIER.*

A. Respondent Did Not Have a Reasonable Belief That the District Court's Partial Summary Judgment Ended the Case.

The Supreme Court explained in *FirsTier* that "Rule 4(a)(2) was intended to protect the unskilled litigant who files a notice of appeal from a decision ***that he reasonably but mistakenly believes to be a final judgment,*** while failing to file a notice of appeal from the actual final judgment." 498 U.S. at 276 (emphasis added). The Court added that Rule 4(a)(2) does not permit a notice of appeal "from a clearly interlocutory decision — such as a discovery ruling . . . — to serve as a notice of appeal from the final judgment." *Id.* The

Court so held because "[a] belief that such a decision is a final judgment would *not* be reasonable." *Id.*

PBS argues that there is no conflict between the Federal Circuit's decision here and *FirsTier* because PBS allegedly had a reasonable belief that the case ended when partial summary judgment was entered dismissing PBS's infringement claims. (Opp. Br. 9, 10.) This argument is factually and legally flawed, for several reasons.

First, no litigant faced with the circumstances here could have a ***reasonable*** belief that the case was finished when partial summary judgment was entered in March 2008, because, by definition, a partial summary judgment is an interlocutory order that leaves some claims or counterclaims to be litigated. Regardless of PBS's relative level of skill as a litigant, the plain words of Rule 54(b) of the Federal Rules of Civil Procedure make it abundantly clear that a partial summary judgment, in and of itself, is not a final, appealable judgment, and does not end the litigation. Fed. R. Civ. P. 54(b) (A-95).

Second, PBS's alleged belief that "the case had ended" as of March 6, 2008 (Opp. Br. 9, 10) became immaterial when, on April 23, 2008, PBS expressly acknowledged on the record that the case was not over. The only significant evidence on this point — *i.e.*, the parties' jointly stipulated dismissal of CHF's remaining counterclaims — is dispositive. (A-29 – A-32.) The Joint Stipulation & Order of Dismissal ("JSOD") conclusively establishes that, at least as of April 23, 2008, when PBS's counsel executed it, PBS had ***actual knowledge*** that the

partial summary judgment it wished to appeal was ***not*** a final judgment, because CHF still had pending counterclaims, of real substance, that had to be resolved.

The JSOD expressly acknowledges that CHF had asserted counterclaims seeking a declaration that the patents-in-suit are invalid under 35 U.S.C. §§ 102, 103, 112, and 171, as well as a declaration that this case is exceptional under 35 U.S.C. § 285. (A-30.) The JSOD also expressly acknowledges that all of those counterclaims were still pending in the litigation. (A-31.) Finally, the JSOD stipulated that CHF's counterclaims were being voluntarily dismissed, ***without prejudice***. (*Id.*) The JSOD leaves no doubt that, at least as of April 23, 2008, PBS actually knew that the case had not ended, and that neither the District Court's March 6, 2008 partial summary judgment nor its March 10 Rule 58 judgment was effective as a final judgment.

Both the Federal Circuit and the Seventh Circuit have acknowledged that "a litigant seeking to take advantage of Rule 4(a)(2)'s saving provision must continue to be reasonably 'confused as to the status of the litigation' . . . until final judgment is actually entered." *Meade Instrs. Corp. v. Reddwarf Starware, LLC*, No. 99-1517, 2000 WL 987268, *3 (Fed. Cir. June 23, 2000) (non-precedential), quoting *Strasburg v. State Bar of Wisconsin*, 1 F.3d 468 (7th Cir. 1993) (A-65, A-70). Once the litigant becomes aware that its notice of appeal is invalid because no final judgment has yet been entered, it has both the knowledge and the opportunity (for thirty more days) to correct the mistake. *Id.* Thus, to perfect its appeal here, PBS needed to file a notice of appeal within 30 days of the date that judgment was

deemed entered under Fed. R. Civ. P. 58(c)(2)(B). This PBS inexcusably failed to do.

Third, PBS attempts to justify its alleged belief that the case was over with the bald assertion that CHF's counterclaims somehow became moot. (Opp. Br. i, 1, 9.) As a matter of due process, a defendant's counterclaims do not simply vanish when a plaintiff's claims are dismissed. *See, e.g., Altvater v. Freeman*, 319 U.S. 359, 363 (1943) ("We have here not only bill and answer but a counterclaim. Though the decision of non-infringement disposes of the bill and answer, it does not dispose of the counterclaim which raises the question of validity . . . ."); *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 99-101 (1993) (approving of district court decisions to consider invalidity even where they find that a patent is not infringed, and noting that "validity has the greater public importance.").

In this case, CHF has a substantial interest in prevailing on its invalidity counterclaims, so that it will not face additional infringement claims under the patents-in-suit. *See id.* at 99-100 ("A company once charged with infringement must remain concerned about the risk of similar charges if it . . . markets similar products in the future."). CHF also has a real interest in prevailing on its exceptional case counterclaim, which would permit CHF to recover attorneys' fees. If, as Respondent now asserts, CHF's counterclaims were moot, or could be lightly disregarded as mere "garden variety declaratory judgment counterclaims" (Opp. Br. 1), CHF would not have insisted on a stipulation dismissing its counterclaims ***without prejudice.***

Further still, if Petitioner's counterclaims were actually mooted by the District Court's partial summary judgment (or by its entry of the March 10 Rule 58 judgment), the District Court would not have accepted the parties' Joint Sitpulation, and would not have endorsed it as "SO ORDERED," or entered it on May 6, 2008. (*See* A-32; A-136 (Docket No. 67).)

In short, regardless of PBS's belief in March, at least as of April 23, 2008, PBS was fully aware that the case had not ended, and that neither the District Court's March 6 partial summary judgment nor its March 10 Rule 58 judgment was effective as a final judgment. That knowledge was re-confirmed on May 6, 2008, when the District Court entered the parties' Joint Stipulation as its own Order of Dismissal, finally closing the case.

As purported evidence of finality, Respondent points only to an e-mail from the Court Clerk's office indicating "CASE CLOSED on 03/10/2008." (Opp. Br. 2, 10.) That *pro forma* notice was automatically generated in response to the parties' Joint Stipulation, and District Judge McKenna's entry of the Joint Stipulation as his own Order of Dismissal. (*See id.* at A-1a – A-3a.) If there was still any thought in PBS's mind as to whether the case was closed in March 2008, Petitioner submits that Judge McKenna's May 6, 2008 Order trumps the Clerk's computer-generated notice. And this is particularly true where, as here, Respondent had expressly acknowledged in the parties' April 23, 2008 Joint Stipulation that the case indeed was not yet over.

For all these reasons, no litigant could have had a reasonable belief that the case had ended in March 2008. In these circumstances, the Federal Circuit's decision to give effect to PBS's premature notice of appeal clearly flies in the face of the basic requirement set forth in *FirsTier*.

B. Partial Summary Judgments Do Not Meet the Rationale of *FirsTier* Because They Do Not Give Rise to a Reasonable Belief That They Are Final Judgments.

Respondent also argues implicitly that there is no conflict between the Federal Circuit's decision here and the Supreme Court's decision in *FirsTier* because the District Court's partial summary judgment would have been appealable upon entry of a final judgment pursuant to Rule 54(b) of the Federal Rules of Civil Procedure. (Opp. Br. 6.) Contrary to Respondent's assertions, a partial summary judgment cannot meet the basic requirement of *FirsTier*, because partial summary judgments, by definition, never dispose of all claims, counterclaims, or other claims in a case, and by their very nature cannot give rise to a ***reasonable*** belief that they are final judgments, in either legal or practical terms.

The Court in *FirsTier* does state that Rule 4(a)(2) would render a premature notice of appeal effective "when a district court announces a decision that *would be* appealable if immediately followed by the entry of judgment." 498 U.S. at 276. The Court said this in a factual context that involved only one plaintiff, one

defendant, and one set of claims, all of which were resolved by a decision announced from the bench. As the Court observed, in those circumstances, there was no question that the district court's bench ruling would have been appealable under 28 U.S.C. § 1291 had the judge issued a Rule 58 judgment immediately following the bench ruling, and had the clerk entered the judgment on the docket. *Id.* at 277. The *FirsTier* Court doesn't refer to partial summary judgments, or cite to Federal Rule of Civil Procedure 54(b). This makes sense because, by definition, partial summary judgment orders do not dispose of all claims and counterclaims in a case, and by their very nature cannot give rise to a reasonable belief that they are final judgments, in either legal or practical terms.

The *FirsTier* Court thus addressed two extreme sets of circumstances — on the one hand, cases where the district court announces a decision that is clearly final, in the sense that it disposes of all claims or counterclaims in the case, and leaves nothing to be done other than the ministerial act of entering final judgment, and on the other hand, cases where the district court announces a clearly non-final order, such as a discovery order. As the Circuits have recognized, there is a wide range of procedural circumstances that fall between these two extremes. *See, e.g., Outlaw v. Airtech Air Cond. & Heating, Inc.*, 412 F.3d 156, 161 (D.C. Cir. 2005).

This has left open the question of whether a premature notice of appeal from a partial summary judgment order is effective under Rule 4(a)(2), because it "would be appealable" if immediately followed by the

entry of judgment. *See, e.g.,* Michael E. Tigar & Jane B. Tigar, Federal Appeals Jurisdiction and Practice § 6.3 (3d ed. 2008) (*FirsTier* "has posed problems" in cases where, when a notice of appeal is filed, the district court has not completed adjudication on all issues). This question cries out to be resolved in this case because, as shown above and in Part II. below, decisions in the Federal Circuit and other Circuits clearly conflict with the rationale set forth in *FirsTier.* Moreover, as shown below, the Circuits have been in open and unresolved conflict with each other over this issue for years.

II. THE CIRCUITS ARE DEEPLY SPLIT CONCERNING THE CORRECT APPLICATION OF RULE 4(A)(2).

There is unquestionably a deep split in the Circuits and widespread confusion as to the correct application of Rule 4(a)(2), particularly with respect to premature appeals from partial summary judgments. Respondent engages in a superficial, but failed effort to reconcile the conflicting decisions from the Federal Circuit and other Circuits with each other and *FirsTier.* (Opp. Br. 5-9.) But the cases themselves recognize the split that exists among the Circuits. *E.g., State Contracting & Eng'g Corp. v. Florida,* 258 F.3d 1329, 1335 (Fed. Cir. 2001) (noting the split as to whether a premature notice of appeal ripens upon entry of a Rule 54(b) certification); *Miller v. Special Weapons, L.L.C.,* 369 F.3d 1033, 1035 (8th Cir. 2004) (disagreeing with Circuits that apply a rule of "cumulative finality").

Moreover, numerous articles comment on the substantial split and confusion surrounding *FirsTier*. *E.g.*, Peter R. Afrasiabi, *The Growing Split Over Whether Premature Notices of Appeal Preserve Appellate Review*, 55-JUL Fed. Law. 42 (2008) (identifying Circuit splits, including the split concerning partial summary judgments); Bruce P. Merenstein, *Premature Notices of Appeal*, The Legal Intelligencer, Sept. 5, 2008, http://thelegalintelligencer.typepad.com/tli/2008/09/premature-notic.html ("This confusion is unlikely to abate until . . . the Supreme Court resolves the circuit split that has followed its decision in FirsTier.").

Respondent attempts to explain Petitioner's cases that illustrate the unmistakable split in the Circuits, trying to show why each case was decided properly within the framework of *FirsTier*. Respondent's analysis misses the point — *i.e.*, that the disposition of each case involving a premature notice of appeal depended on the Circuit in which the case was filed. The First, Fourth, Tenth, and D.C. Circuits interpret the scope of Rule 4(a)(2) broadly even after *FirsTier*. The Seventh and Eighth Circuits interpret Rule 4(a)(2) narrowly and more consistently with the rationale of *FirsTier*. And the Third, Fifth, and Federal Circuits have cases that follow both approaches.

The Federal Circuit's order taking jurisdiction in this case (A-6) does not cite any authority, but appears to follow the Federal Circuit cases that directly conflict with both the rationale of *FirsTier* and the intent of Rule 4(a)(2). *E.g.*, *E-Pass Techs., Inc. v. 3Com Corp.*, 343 F.3d 1364, 1367 (Fed. Cir. 2003); *State Contracting*, 258 F.3d at 1335.

There is also a separate, unpublished line of Federal Circuit cases that applies Rule 4(a)(2) consistently with *FirsTier*, and declines to save premature notices of appeal under the circumstances of this case. *See Meade*, 2000 WL 987268, *3 (A-65, A-71); *Stoney Point Prods., Inc. v. Underwood*, 15 Fed.Appx. 828, 831 (Fed. Cir. June 7, 2001) (non-precedential) (A-73, A-77 – A-78). Respondent seeks to explain these cases on grounds that additional procedural events (*e.g.*, the defendant filing a motion for Rule 54(b) certification simultaneously with its premature notice of appeal in *Meade*, and the court setting a trial date on the remaining claims in *Stoney Point*) negated any mistaken belief that the partial summary judgment was a final judgment. (Opp. Br. 7.) However, Respondent's entry into the Joint Stipulation here and the District Court's entry of the Joint Stipulation as an Order eliminate any meaningful distinction between this case and *Meade* or *Stoney Point*. The Federal Circuit should have followed *FirsTier* and these cases that follow *FirsTier*.

In addition to the split within the Federal Circuit, there is a deep split between the other Circuits on this issue. For example, in *Outlaw*, 412 F.3d at 161-63, the D.C. Circuit held that Rule 4(a)(2) saved a premature notice of appeal filed after a partial summary judgment, in direct conflict with decisions such as *Miller*, 369 F.3d at 1035 (8th Cir.), and *DeJohn v. Temple University*, 537 F.3d 301, 307 n. 3 (3d Cir. 2008), which take the opposite approach. Nothing in Respondent's exegesis adequately addresses this split of authority.

At bottom, Respondent has failed to reconcile the Circuit split after *FirsTier*, particularly in the procedural circumstances of this case. If anything, that split has only worsened since *FirsTier* was decided more than 18 years ago. This Court should grant certiorari to resolve the division in the Circuits over the scope of Rule 4(a)(2) and the proper application of *FirsTier*.

III. RESPONDENT HAS NOT IDENTIFIED ANY EQUITIES THAT WARRANT DENIAL OF CERTIORARI.

Finally, Respondent urges this Court to look the other way because the Federal Circuit revised the test for design patent infringement and Respondent would like to try its hand under the revised test. (Opp. Br. 11.) But the Federal Circuit's jurisdictional statute, Rule 4(a)(2), and *FirsTier* trump Respondent's desire. As this Court observed in *United States v. City of N.Y.*, 129 S.Ct. 2230, 2236 (2009), it must decide jurisdictional questions "irrespective of the possibility of harsh consequences."

In fact, the only prejudice here will be to the Petitioner, if the Court declines to grant certiorari. Unless the Federal Circuit's error is corrected, Petitioner will be deprived of the repose it should have been granted, and will continue to suffer the waste of resources required to litigate a case that should have ended more than a year ago.

CONCLUSION

For the foregoing reasons, the writ of certiorari should be granted.

Respectfully submitted,

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